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E-filing

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

ALAN J. WATSON; CASH FLOW  
FINANCIAL, LLC, a Michigan limited  
liability company; GALVESTON MATRIX  
DIVERSIFIED TRUST, an Ohio business  
trust; and DAVID F. KLIMA, individually  
and in his capacity as Trustee of Galveston  
Matrix Diversified Trust,

*Plaintiffs,*

v.

SOLDADO CORPORATION, a California  
corporation; GABRIEL GONZALES, JR.;  
JC FUNDING SOLUTIONS, INC. a Min-  
nesota corporation; JOSE ISRAEL  
CASTILLO ROBLES; BRIAN J. ENGEL;  
BJE, INC., a Minnesota corporation;  
and DOES 1 through 10, inclusive,

*Defendants.*

Case No.

COMPLAINT

CV 10 1394

DEMAND FOR JURY TRIAL

///

///

**PARTIES AND PARTICIPANTS**

1  
2 1. Plaintiff Alan J. Watson (Watson) is a resident and citizen of the State of  
3 Michigan. Watson is a member of plaintiff Cash Flow Financial, LLC, a Michigan limited  
4 liability company.

5  
6 2. Plaintiff Cash Flow Financial, LLC (CFF) is a Michigan limited liability com-  
7 pany in good standing with its principal place of business at 17176 Merryweather Street,  
8 Clinton Township, Michigan 48038. Watson is authorized by CFF and under the laws of the  
9 State of Michigan to commence and prosecute this action on behalf of CFF.

10  
11 3. Plaintiff David F. Klima (Klima) is an individual resident and citizen of the  
12 State of Ohio.

13 4. Plaintiff Galveston Matrix Diversified Trust (GMDT) is a business trust or-  
14 ganized and existing under the laws of the State of Ohio. GMDH maintains its principal of-  
15 fice and place of business at 16426 Nash Road, Middlefield, Ohio 44062. Klima is the sole  
16 trustee of GMDH and is authorized by GMDH and under the laws of the State of Ohio to  
17 commence and prosecute this action on behalf of GMDH.

18  
19 5. Defendant Soldado Corporation (Soldado) is a corporation organized and ex-  
20 isting under the laws of the State of California with its principal office and place of business  
21 located at 20 South Linden Avenue, Suite 3-B, South San Francisco, California 94080.

22  
23 6. Defendant Gabriel Gonzales, Jr. (Gonzales) is an individual resident and citi-  
24 zen of the State of California. Plaintiffs are informed and believe that Gonzales resides at  
25 257 Country Club Drive, South San Francisco, California 94080-5711. Plaintiffs are in-  
26 formed and believe that Gonzales has been and is, at all material times, an officer and owner  
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1 of defendant Soldado, that Gonzales was and is the controlling shareholder of Soldado, and  
2 that Gonzales is otherwise in control of Soldado.

3 7. Defendant JC Funding Solutions, Inc. (JCF) is a corporation organized and  
4 existing under the laws of the State of Minnesota with its principal offices and place of busi-  
5 ness at 4607 Cedar Avenue South, Minneapolis, Minnesota 55407.

6  
7 8. Defendant Jose Israel Castillo Robles (Castillo) is, plaintiffs are informed and  
8 believe, an individual resident and citizen of the United Mexican States (Mexico) with his  
9 last known address in the municipality of Ahome in the Mexican State of Sinaloa. Castillo  
10 was at all material times and is, plaintiffs are informed and believe, the President and Chief  
11 Executive Officer of JCF.

12  
13 9. Defendant Brian J. Engel (Engel) is, plaintiffs are informed and believe, an  
14 individual resident and citizen of the State of Minnesota with his last known residence ad-  
15 dress at 25 East Minnehaha Parkway, Minneapolis, Minnesota 55419-2679. Engel is an at-  
16 torney admitted to practice in the State of Minnesota. Plaintiffs are informed and believe that  
17 Engel's law office address was and/or is located at 4607 Cedar Avenue South, Minneapolis,  
18 Minnesota 55407, the same address as defendant JCF. Engel is the registered statutory agent  
19 for service of process on JCF.

20  
21 10. Defendant BJE, Inc. (BJE) is a corporation organized and existing under the  
22 laws of the State of Minnesota with its principal office and place of business located at 4410  
23 Lake Harriet Parkway, Suite 200, Minneapolis, Minnesota 55410. "BJE" are the initials of  
24 the full name of defendant Engel. Engel was, at material times, and, plaintiffs are informed  
25 and believe, still is President of BJE. Engel is the registered statutory agent for service of  
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1 process on BJE. At material times, defendants have represented to plaintiffs that Engel's at-  
2 torney trust account is maintained in the name of BJE.

3 11. Defendant Does 1 through 10, inclusive, are persons or entities unknown to  
4 plaintiffs who are in some way the proximate cause of the harm to plaintiffs that is the sub-  
5 ject of this action.  
6

7 12. Plaintiffs are informed and believe that each defendant was, at material times,  
8 acting as the agent or representative of each other defendant, with actual, apparent, ostensi-  
9 ble, and/or implied authority to act for each such other defendant.  
10

### 11 JURISDICTION

12 13. This Court has subject matter jurisdiction over this action because the action  
13 presents federal questions within the meaning of 28 U. S. C. § 1331. This action presents  
14 federal questions arising under Section 22(a) of the Securities Act, 13 U. S. C. §§ 77u(a) and  
15 under Section 27 of the Securities Exchange Act, 15 U. S. C. §§ 78u(e) and 78aa, in that  
16 plaintiffs assert false and misleading statements made in the sale of securities and unlawful  
17 sale of unregistered securities. Federal questions also are presented by plaintiffs' claims that  
18 defendants violated the Racketeer Influenced and Corrupt Organizations Act, 18 U.S. C. §§  
19 1861 *et seq.* by engaging in predicate acts identified in the RICO act.  
20

21 14. The court has subject matter jurisdiction over the claims pleaded under state  
22 law herein in accordance with the principles of pendent jurisdiction.  
23

24 15. In connection with the transactions, acts, practices and course of business de-  
25 scribed in this complaint, the defendants, directly and indirectly, have made use of the means  
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1 and/or instrumentalities of interstate commerce, of the mails, and/or of the means and in-  
2 struments of transportation or communication in interstate commerce.

### 3 VENUE

4  
5 16. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(2) in that a  
6 substantial part of the events or omissions giving rise to the claims herein asserted occurred  
7 in the County of San Mateo and, plaintiffs are informed and believe, a substantial part of the  
8 property that is the subject of this action has been and/or is situated within the County of San  
9 Mateo And/or the County of San Francisco. Venue is proper in this district pursuant to 28  
10 U.S.C. § 1391(b)(3) in that defendants Soldado and Gonzales are residents of the County of  
11 San Mateo and there is no other district in which this action may be brought consistent with  
12 principles of jurisdiction, venue, and forum non conveniens. Venue is proper in this district  
13 pursuant to Section 27 of the Securities Exchange Act, 15 U.S.C. § 78aa, in that defendants  
14 Soldado and Gonzales are residents of the County of San Mateo and Soldado does business  
15 in and maintains its principal office and place of business in this juridical district, and certain  
16 of the transactions alleged herein occurred within this district.

### 19 INTRADISTRICT ASSIGNMENT

20 17. This case should be assigned to the Court's San Francisco Division in ac-  
21 cordance with United States District Court for the Northern District's Civil L. R.s 3-2(c) and  
22 3-5(b) because defendants Soldado and Gonzales are residents of the County of San Mateo;  
23 because a substantial part of the events and omissions which give rise to the claims herein  
24 were done or omitted to be done by such defendants within the County of San Mateo; and  
25 because plaintiffs are informed and believe that a substantial part of the property that is the  
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1 subject of this action has been and/or is within the County of San Mateo and/or the County of  
2 San Francisco.

3  
4 **GENERAL ALLEGATIONS**

5 18. During the fall of and late in 2008, defendants solicited One Million Dollars  
6 (\$1,000,000.00) from plaintiffs, representing to plaintiffs that the money would be used to  
7 "lease" a yet larger sum of money (specifically, One Hundred Million Dollars  
8 (\$100,000,000.00), which could then be employed and placed in an investment program that  
9 would produce profits of \$10,000,000.00 per week. In connection with the transactions, acts,  
10 practices and course of business described in this complaint, the defendants, directly and in-  
11 directly, have made use of the means or instrumentalities of interstate commerce, of the  
12 mails, or of the means and instruments of transportation or communication in interstate  
13 commerce. In doing so, defendants made the following representations:  
14

15 A. Defendants had available a source for "leasing" vast sums of  
16 money that could be invested on behalf of and for the benefit of plaintiffs and  
17 to their profit, and that defendants were ready, willing, and able to "lease"  
18 \$100,000,000.00 for the benefit of plaintiffs, and to invest on their behalf, if  
19 plaintiffs would advance \$1,000,000.00 to defendants;  
20

21 B. Defendants knew of and could and would provide a "trading  
22 program" or "platform" that could produce profits of \$10,000,000.00 per  
23 week, much of which would be paid to plaintiffs.  
24

25 19. Defendants delivered to plaintiffs, with the intent of misleading and deceiving  
26 them, documents as follows:  
27  
28

1           A.     A memorandum purporting to be from senior officers of the  
2           Hong Kong and Shanghai Banking Corporation (and bearing HSBC's "seal")  
3           addressed to plaintiffs Watson and Klima and dated October 24, 2008 purport-  
4           ing to confirm the existence of HSBC Account # 4465027 in which was then  
5           deposited \$100,000,000.00 of cleared, available funds for the express benefit  
6           of Watson and Klima and over which these plaintiffs had joint signing author-  
7           ity; and  
8

9           B.     A one-page document which purported to be a print-out of an  
10          HSBC computer screen allegedly confirming the existence of and providing  
11          details about the HSBC Account #4465027 described in Paragraph 19(A)  
12          above.  
13

14       True and correct copies of these documents are attached hereto as EXHIBIT A.

15               20.     The statements and representations made by defendants as set forth in Para-  
16       graphs 18-19 above were false, in that:  
17

18           A.     Defendants did not in fact have a source for "leasing" vast  
19           sums of money, and had no access to any source of or for \$100,000,000.00  
20           which could be deposited into any account for the benefit or use of Watson  
21           and/or Klima;  
22

23           B.     Defendants could not provide a "trading program" or "plat-  
24           form" that could produce profits of \$10,000,000.00 per week;  
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1 C. The purported HSBC documents were forgeries and fakes, pre-  
2 pared by defendants or their agents for the purpose of misleading and deceiv-  
3 ing plaintiffs.  
4

5 21. Defendants made the statements and representations set forth in Paragraphs  
6 18-19 above with actual knowledge of their falsity or with reckless disregard of their truth or  
7 falsity, for the purpose of inducing plaintiffs to advance funds to and invest funds with de-  
8 fendants.

9 22. The statements and representations by defendants were material to the deci-  
10 sion by plaintiffs to advance to and invest their money with defendants, and plaintiffs rea-  
11 sonably relied on them, unaware of their falsity.  
12

13 23. On or about October 8, 2009, Watson on behalf of plaintiffs entered into a  
14 LEASE & PRIVATE PLACEMENT PROGRAM AGREEMENT (LPPPA). A true and correct copy of  
15 the LPPPA is attached hereto as EXHIBIT B, except that certain information has been redacted  
16 to comply with controlling rules of court. By the terms of the LPPPA, Watson, on behalf of  
17 CFF, and Klima, on behalf of GMDT, were to wire a total of \$1,000,000.00 to defendant  
18 Engel's "Attorney Escrow Account", maintained by Engel under the name "BJE, Inc. Attor-  
19 ney Escrow." Engel was to serve as "Escrow Attorney." One-half of such funds then were  
20 to be transferred/credited to an account maintained by defendant Soldado at Wells Fargo  
21 Bank, N. A. in San Francisco. Soldado was to serve as the "Leasing Entity" to obtain the  
22 \$100,000,000.00 in bank deposits to be used for the falsely-promised investment "program"  
23 or "platform."  
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1 of business which has been and is operating as a fraud or deceit upon the plaintiffs as pur-  
2 chasers or sellers of securities.

3 31. By reason of the foregoing, defendants have violated Section 10(b) of the Se-  
4 curities Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, 17  
5 C.F.R. § 240.10b-5.  
6

7 32. By virtue of the defendants' violation of the above provisions, plaintiffs have  
8 been damaged in the amount of \$22,000,000.00.  
9

### 10 SECOND CAUSE OF ACTION

11 33. The allegations of Paragraphs 1- 32 are realleged, in accordance with Federal  
12 Rule of Civil Procedure 10(c), as if fully set forth herein.

13 34. This cause of action is brought under Section 22(a)(1) of the Securities Act of  
14 1933, as amended, 15 U. S. C. § 77v(a)(1), to enforce a liability created by Section 12(a) of  
15 the Securities Act, 15 U. S. C. § 77l(2) and 15 U. S. C. § 77(o), respectively, arising out of  
16 the sale of unregistered securities.  
17

18 35. The business-entity defendants directly offered and sold securities, or were  
19 material participants in such sales, to plaintiffs, in the form of purported investments in  
20 "tradable Investment Grade Negotiable Bank Instruments ("BIs"), such "securities" to be  
21 "rated "AA" or better by Standard & Poor's" and defendants purporting to find "Exit Buy-  
22 ers" and to perform trades both to and from plaintiffs using one or more means of interstate  
23 commerce.  
24

25 36. These investments constitute unregistered securities.  
26  
27  
28

1           37. No registration statement for these securities was filed, or was in effect, in ac-  
2 cordance with federal securities requirements, and the securities were sold in violation of  
3 Section 5(a)(c) of the Securities Act, 15 U. S. C. §§ 77e(a) and 77e(c).  
4

5           38. The individual defendants at all times controlled the activities of the business-  
6 entity defendants and are therefore jointly and severally liable for the violations pursuant to  
7 Section 15 of the Securities Act and Section 20A of the Securities Exchange Act, 15 U. S. C.  
8 § 77(o) and 15 U. S. C. § 78t(a).  
9

10           39. On or about November 1, 2007, the Commissioner of Commerce of the State  
11 of Minnesota, by and through his Director of Enforcement, issued a CEASE AND DESIST OR-  
12 DER against defendants Engel and BJE. The Commissioner had informed Engel and BJE that  
13 he intended to commence a formal action against them for sale of unregistered investment  
14 contracts in violation of Minnesota law. Engel and BJE consented to issuance of the CEASE  
15 AND DESIST ORDER, which prohibits such sales by them. Engel and BJE are aware of the  
16 unlawfulness of the sale of unregistered securities and knowingly and willfully have engaged  
17 in a pattern and practice of such activities.  
18

19           40. Plaintiffs are entitled directly to recover under this cause of action all of their  
20 investment losses against those directly engaged in the sale of the securities or those who  
21 were knowingly material participants. Plaintiffs assert each defendant was a seller or a mate-  
22 rial participant, and that each is therefore jointly and severally liable to plaintiffs under this  
23 cause of action.  
24

25 ///

26 ///

**THIRD CAUSE OF ACTION**

41. The allegations of Paragraphs 1- 40 are realleged, in accordance with Federal Rule of Civil Procedure 10(c), as if fully set forth herein.

42. The fraudulent representations of defendants were made by telephone, e-mail and other means and constituted violations of the federal wire fraud statute, 18 U. S. C. § 1343.

43. Upon information and belief, during the same time period, defendants were making similar fraudulent representations to others.

44. Therefore, defendants, through the commissions of two or more acts constituting a pattern of racketeering activity, participated in an enterprise the activities of which affect interstate commerce.

45. As a result of defendants' racketeering activities, plaintiff suffered damages in the amount of \$1,000,000.00.

46. Defendants are therefore liable to plaintiff in the amount of \$1,000,000.00, trebled, for a total of \$3,000,000.00, together with reasonable attorney fees, pursuant to 18 U. S. C. § 1962(c).

**FOURTH CAUSE OF ACTION**

47. The allegations of Paragraphs 1-44 are realleged, in accordance with Federal Rule of Civil Procedure 10(c), as if fully set forth herein.

48. As a result of the fraud of defendants, plaintiffs have been damaged in the amount of \$1,000,000.00.

## FIFTH CAUSE OF ACTION

53. Defendants violated their fiduciary duties to plaintiffs by failing to deal with his funds represented and as agreed and by engaging in deceptive, misleading, and dishonest conduct toward plaintiffs.

## SIXTH CAUSE OF ACTION



1           57.     As a result of defendants' conversion of plaintiffs' funds, plaintiffs have been  
2 damaged in the amount of \$1,000,000.00.

3                                   **SEVENTH CAUSE OF ACTION**

4           58.     The allegations of Paragraphs 1-57 are realleged, in accordance with Federal  
5 Rule of Civil Procedure 10(c), as if fully set forth herein.

6           59.     Plaintiffs and defendants entered into a contract in accordance with which de-  
7 fendants promised and agreed to provide plaintiffs with an investment program/platform that  
8 would produce profits of \$10,000,000.00 per week.

9           60.     Execution of the contract by plaintiffs was induced by fraud.

10          61.     Defendants afforded no consideration for plaintiffs' execution or performance  
11 of the contract.

12          62.     If the contract is not void, defendants breached the contract by failing to pro-  
13 vide the contracted-for investment program/platform.

14          63.     Defendants' breaches of contract have damaged plaintiffs in an amount to be  
15 determined at trial.

16                                   **DEMAND FOR TRIAL BY JURY**

17           Plaintiffs demand trial by jury in accordance with Federal Rule of Civil Procedure  
18 38(b) and USDC-NDCA Local Civ. R. 3-6(a) as to legal claims set forth in this complaint.

19           ///

20           ///

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1 WHEREFORE plaintiffs pray for judgment against defendants, jointly and severally,  
2 as follows:

- 3 1. For special and consequential damages in the amount of \$1,000,000.00;
- 4 2. For general damages in an amount to be determined at trial;
- 5 3. For punitive damages in an amount to be determined by the jury in relation  
6 to actual damages awarded;
- 7 4. For treble damages of \$3,000,000.00 in accordance with 18 U. S. C. § 1962(c);
- 8 5. For reasonable attorney fees in accordance with 18 U. S. C. § 1962(c);
- 9 6. For plaintiffs' costs of suit and interest in accordance with law; and
- 10 7. For such other and further relief as to the Court may seem just and proper.

11 DATED: March 31, 2010

12 LAW OFFICES OF EDWARD F. MITCHELL

13  
14  
15  
16  
17  
18 By 

19 Edward F. Mitchell  
20 1750 Montgomery Street  
21 San Francisco, California 94111

22 ATTORNEYS for plaintiffs  
23 ALAN J. WATSON; CASH FLOW  
24 FINANCIAL, LLC, a Michigan limited  
25 liability company; GALVESTON MATRIX  
26 DIVERSIFIED TRUST, an Ohio business trust;  
27 and DAVID F. KLIMA, individually and in  
28 his capacity as Trustee of Galveston  
Matrix Diversified Trust



**The Hong Kong and Shanghai Banking Corporation**

Ultimate Holding Company : 8 Canada Square London E14 5HQ

Phone (44) 020 7991 8888, Fax (44) 020 7992 4880

United Kingdom

OCTOBER 24<sup>TH</sup>, 2008

**FROM:** THE HONG KONG AND SHANGHAI BANKING CORPORATION

**TO:** DAVID F. KLIMA  
ALAN JAMES WATSON

**SUBJECT:** ACCOUNT NUMBER: 4465027

DEAR SIRs:

WITH REFERENCE TO YOUR RECENT REQUEST, WE THE HONG KONG AND SHANGHAI BANKING CORPORATION UK, CONFIRM THAT THE ABOVE-MENTIONED ACCOUNT OF DAVID F. KLIMA, ALAN JAMES WATSON, HAS A CURRENT CASH DEPOSIT BALANCE OF ONE HUNDRED MILLION DOLLARS (\$100,000,000.00 USD) WITH THE JOINT SIGNING AUTHORITY BEING JOSE ISRAEL CASTILLO ROBLES, DAVID F. KLIMA, ALAN JAMES WATSON & GABRIEL GONZALEZ JR.

WE ALSO CONFIRM THAT THESE FUNDS ARE GOOD CLEAN, CLEARED FUNDS, OF NON CRIMINAL ORIGIN, EARNED FROM LEGAL SOURCES, FREE OF ANY LIENS OR ENCUMBRANCES, AND FREELY AVAILABLE FOR INVESTMENTS AND / OR TO OBTAIN CREDIT LINES FOR THE USE AND BENEFIT OF DAVID F. KLIMA, ALAN JAMES WATSON.

FINALLY, WE CONFIRM THAT THESE FUNDS AND THIS COMMUNICATION MAY BE CONFIRMED ONLY ON A BANK TO BANK BASIS, ON DTC / EUROCLEAR SCREENS RELATED TO THE REFERRED ABOVE BANK ACCOUNT.

A SCANNED COPY OF THIS LETTER SENT VIA E-MAIL IS DEEMED AS ORIGINAL.

**THE HONG KONG AND SHANGHAI BANKING CORPORATION**

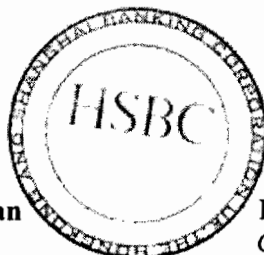
BANK OFFICERS:  
MICHAEL F. GEOGHEGAN  
SK859-6597PK  
DAVID H. HODGKINSON  
GK847-5843MR

**EXHIBIT**

A

A handwritten signature in black ink, appearing to read "M. Geoghegan".

**Michael F. Geoghegan**  
Chairman



A handwritten signature in black ink, appearing to read "David H. Hodgkinson".

**David H. Hodgkinson**  
Chief Executive Officer



FROM EUC 44585  
 THE HONG KONG AND SHANGHAI BANKING CORPORATION UK  
 8 CANADA SQUARE LONDON E14 5HQ, UK  
 ORIGIN FUNDS: XS0099269507  
 COMMON CODE: 009926950  
 NOMINAL CURRENCY: €  
 EXCHANGE INTERMEDIARY EUROCLEAR BELGIUM  
 INTERBANK SCREEN ACCOUNT 44585  
 THE HONG KONG AND SHANGHAI BANKING CORPORATION UK  
 FOR BENEFIT OF: DAVID F. KLIMA AND ALAN JAMES WATSON  
 CREATE SCREEN PROOF OF FUNDS DATE: OCTOBER 24<sup>TH</sup>, 2008  
 VALUE DATE: OCTOBER 26<sup>RD</sup>, 2008  
 SUB-ACCOUNT: 4465027  
 REGISTER NUMBER: BHF59027  
 T.R.N.: 44027  
 ISSUED DATE: OCTOBER 24<sup>TH</sup>, 2008  
 MATURITY DATE: NOVEMBER 25<sup>TH</sup>, 2009  
 EXPIRATION DATE: DECEMBER 16<sup>TH</sup>, 2009  
 INTERBANK ISIN: XS2581367027  
 OPERATION COMMON CODE: 044597427  
 CUSIP NUMBER: BH783947027  
 ACCESS CODE: H.B.C.P.F027\*HR  
 CURRENCY: USD  
 AMOUNT: 100,000,000.00  
 VALIDITY CODE: HSBCBF7027J  
 BENEFICIARY: DAVID F. KLIMA AND ALAN JAMES WATSON  
 D.V. 26/10/08  
 O.P. HSBC6474INSUGB



SCREEN DEPARTMENT/ACCESS/51284\*\*/\*IN.S.C.G.B.53\*\*  
 SCREEN FROM EUC WWW.EUROCLEAR.COM - HSBC/ACCESS

Transaction Code: GFHJCFAJW/10082008  
Collateral Code: HSBC100200

### LEASE & PRIVATE PLACEMENT PROGRAM AGREEMENT

This Agreement is entered into this 08<sup>th</sup> day of October, 2008 by and between JC Funding Solutions, Inc., whose principal place of business is, Minneapolis, Minnesota, USA, ("JCF") and Alan J. Watson, whose principal place of residence is Clinton Township, Michigan, USA ("Participant").

**Whereas**, JCF has expended significant sums of money and a considerable amount of time developing professional relationships in the financial industry. This has resulted in JCF having a capacity to access certain leasing and private placement opportunities with financial institutions and private parties. It is anticipated these opportunities, if successful, could achieve significant yields through the purchase and resale of financial instruments issued by recognized financial institutions; and

**Whereas**, Participant has represented to JCF to be a sophisticated person by any applicable standard, and desires to enter into this Agreement to accomplish certain financial goals. Participant has, either through instruction, advice, or other representation, acquired sufficient knowledge regarding the proposed Transaction, as described below, to make a reasonable determination as whether or not to enter into this Agreement; and

**Whereas**, Participant has declared that it has available for the Transaction One Million United States Dollars (\$1,000,000.00 USD), as evidenced by a Tear Sheet; and

**Whereas**, Participant will wire transfer the above referenced amount to the designated Attorney Escrow account upon signing this Agreement; and

**Whereas**, the Parties acknowledge and agree that this Agreement shall serve as a final agreement between the Parties. The terms of this Agreement shall supersede all previous agreements, written and verbal, between the Parties.

**Whereas**, JCF, via the Trading Entity, declares that it has arranged for the leasing of a financial instrument/Proof of Funds (PoF), to be solely used in the Transaction, which is to purchase an allocation of tradable Investment Grade Negotiable Bank Instruments ("BIs"). Said securities are rated "AA" or better by Standard & Poor's. JCF, via the Trading Entity, has also arranged the resale of the BIs to qualified Exit Buyers or to enter a private placement program; and

**Whereas**, both Parties are interested, fully capable and prepared to cooperate and assist each other in the implementation and completion of the Transaction, especially regarding the leasing of financial instruments, purchase and sale, directly and/or indirectly, of BIs, issued by Top 25 Western European Banks, with normal exclusions, or to enter a private placement program; and

**Whereas**, JCF and Participant desire to broaden and develop their financial activities and special investment services and are desirous of entering into this Agreement in order to avail themselves of the proposed Transaction, under terms and conditions acceptable to the Parties in this Agreement. Participant hereby authorizes JCF to execute any agreements, wire transfers, SWIFTS, Letters of Intent, or other such documents that may be required to further the Transaction.





Transaction Code: GFHJCFAJW/10082008  
Collateral Code: HSBC100200

**NOW THEREFORE**, in consideration of the promises and covenants set forth herein, the mutual benefit of such being fully acknowledged, the Parties hereto agree as follows:

## PURPOSE

### 1. OVERVIEW OF TRANSACTION

- A. After this Agreement is executed and Participant wires the required funds to the designated Attorney Escrow Account, JCF will arrange the leasing of the PoF, for use in the Transaction. Once the lease is completed a line of credit against the PoF will be attain, at an LTV of 50% of the face value of the leased PoF, for the benefit of Participant. These funds will then be placed in the Private Placement Program. The up front cost of the lease shall equal one percent (1%) of the face value of the leased PoF. Participant shall wire transfer this amount to the designated Attorney Escrow Account upon signing this Agreement. The estimated time to complete the leasing and trade set up is within 30 days; from the date said funds are posted in the Attorney Escrow Account.
- B. After the funds are posted in the designated Attorney Escrow Account, one-half of the funds will be wire transferred to the Leasing Entity, Soldado Corporation. Said funds will be utilized to set up a new bank account in Participant's name and to make arrangements for the acquisition of the leased PoF, to be used in the Transaction.
- C. Both Parties will be made a signer on the account and be provided a copy of the leased PoF. Both Parties acknowledge they will not have the authority to make a withdrawal from said account. Said account is only a transaction account for the trade program.
- D. After Participant is provided a copy of the leased PoF, the remaining one-half of the one percent (1%) set up fee will be wire transferred to the Soldado Corporation bank account.
- E. Once said wire posts in the Soldado Corporation account, the leased PoF will be sent via SWIFT MT760 to the Credit Line Provider (CLP).
- F. Shortly after the receipt and confirmation of the MT760 by the CLP, CLP will release the credit line for the trade program. The trade program will start on the first Monday following the release of the credit line. The program will trade Monday through Thursday of each week for 40 weeks.
- G. An additional lease fee of 18% of the face value of the leased POF is due and payable within 30 days. Therefore, an additional fee of \$18,000,000.00 will be due from the trade profits. The Parties agree to pay this fee, in equal installments, over the first three (3) weeks of the Program. Hence, \$6,000,000.00 will be deducted from the each of the first three (3) weeks of trade profits and paid directly to the Leasing Entity, Soldado Corporation.

JCF agrees to use its best efforts to enter into a valid contract to purchase BIs and arrange for a qualified Exit Buyer to purchase the BIs at a price greater than the purchase price or enter a private placement program. The profits are to be distributed at designated times to designated accounts.

### BANK ACCOUNT: ATTORNEY ESCROW ACCOUNT:

Bank Name	Charter One Bank
Bank Address:	15341 - 19 Mile Rd., Clinton Township, MI. 48038
Bank Officer:	Denise L. Devault
Bank Ph. / Fax:	586-286-4710 / 586-286-4009
Account Name:	Alan James Watson
Account Holder Address:	17176 Merryweather, Clinton Township, MI. 48038
Account Number:	4512008086
ABA/Routing #:	241070417
SWIFT Code:	CTZIU533

Transaction Code: GFHJCFAJW/10082008  
Collateral Code: HSBC100200

**ESCROW INSTRUCTIONS:**

1. Participant wire transfers the one percent (1%) fee to the designated Attorney Escrow Account.
2. Upon receipt of said fee, Attorney shall wire transfer one-half of the fees to the designated account of the Leasing Entity, Soldado Corporation.
3. Participant and Escrow Attorney will be provided a copy of the leased PoF.
4. Upon receipt of the copy of the PoF, Participant shall instruct the Escrow Attorney to wire transfer the remaining one-half of the fee to the designated account of the Leasing Entity, Soldado Corporation.

**BANK ACCOUNT: Soldado Corporation:**

Bank Name: Wells Fargo Bank, N.A.  
Bank Address: San Francisco, CA  
Bank Officer: Lauren A. Hawks, Manager  
Bank Ph. / Fax: 612-316-1963 / 612-316-1959  
Account Name: BJE, Inc. Attorney Escrow  
Account Holder Address: 4607 Cedar Ave. S., Minneapolis, Minnesota 55407  
Account Number: 5127139193  
ABA/Routing #: 121000248  
SWIFT Code: WFBUS6S  
FBO: Alan J. Watson / Soldado Corporation / JCF

**2. PROFITS AND FEES**

It is agreed between the Parties that JCF, via Trading Entity, will use its best efforts to furnish the Exit Buyers at the highest possible price allowed by the market, thereby providing a possible return to the Participant. The estimated weekly return due Participant from the program is Ten Million USD (\$10,000,000.00 USD), surfeit to JCF.

The Participants \$10,000,000.00 to be split as follows:

80%	\$ 8,000,000.00	Alan J. Watson
20%	\$ 2,000,000.00	David F. Klima

There shall be 40 weekly payments during the Transaction. Participant will be paid its profits, herein stated, within 2 banking days of each weekly Program payout. Participant will provide the banking coordinates for where it chooses each payout to be wire transferred.

**3. INTERMEDIARY AND FEES**

The Parties agree that each Party shall be responsible for paying their respective Intermediaries. It is agreed that the Paymaster for all Intermediaries will be The Ferro Group, LLC. There is 5% that will be paid to all Intermediaries.

**4. NON-SOLICITATION**

The Participant hereby swears that this Agreement is in direct response to a request made to JCF by the Participant and is not in any way to be considered or intended to be a solicitation of funds on behalf of JCF, or any sort or type of offering. The Participant hereby affirms that it has requested JCF provide it with a personal service and that it has entered into this agreement of its own free will and choice. The Participant acknowledges that any Transaction considered is one of Private Placement and is not subject to the United States Securities Act of 1933 and/or as amended, or subject to any securities laws of any other country and is intended for private use only. The

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Participant also acknowledges that JCF has disclosed they are not a licensed securities trader, bank officer, financial planner, attorney or certified public account.

#### 5. PROTECTION OF SOURCES AND NON-CIRCUMVENTION

Neither Party shall not make contact with any organization, company, bank, affiliate, or individual who will become known to them through the other Party and/or its Associates, except upon notification and consent of the other Party and/or Associates for a period of five (5) years.

The President of the United States, in signing H.R. 3723 on October 11, 1996, has authorized this Agreement by giving corporations the right to declare their contracts, client, internal procedure and information, and the transactions they engage in as corporate or trade secrets fully protected under the Economic and Industrial Espionage Laws of the United States and the International Economic Community.

All Parties agree to accept the said provisions of the ICC Model Clauses and the standards of the International Chamber of Commerce regarding the Non-Circumvention and Non-Disclosure, together with Force Majeure, are deemed included in this document and thereby forms an integral part of this agreement, which shall be deemed, incorporated by reference.

This Agreement shall also bind both Parties' directors, officers, employees, agents, companies, heirs, successors, assigns, affiliates, and both Parties shall have an affirmative duty to incorporate all relevant terms into any agreements with funding sources which may be affected by its purpose.

#### 6. CHOICE OF LAW AND ARBITRATION:

The Laws of the United States of America shall govern this Agreement. Jurisdiction shall lie with an arbitrator nominated by the court in conformity with the arbitration rules of the International Chamber of Commerce Paris or the American Arbitration Association in Minnesota. No State Court of any nation shall have subject matter jurisdiction over matters arising under this Agreement. This Agreement contains the entire agreement between the Parties. Any amendments thereto must be made in writing.

#### 7. OBJECTIVES OF THE PRIVATE PLACEMENT OPPORTUNITY

JCF will use its best efforts to provide a managed buy sell contract of bank instruments or enter a private placement program.

#### 8. DISBURSEMENT PAYMENT OBLIGATION

For value received and derived from the Transaction as identified above, the nominated account instructed by JCF on behalf of the Parties, shall irrevocably and unconditionally, without protest or notification, disburse and pay all parties to be paid, the agreed sum as stipulate above. Such payments shall be made without set-off and shall be free and clear of any deductions or charges of any nature. Each Party is responsible for their own taxes and expenses.

#### 9. COMMERCIAL & BANKING SECRECY

The international regulations on commercial and banking security shall be strongly applied for the Transaction. The Parties involved having the benefit of any financial product derived from this Transaction shall keep full control of any information pertaining to this Transaction. This is a confidential document and it may not be distributed or reused by any persons who received it.



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I, under penalty of perjury, with full corporate and individual responsibility, irrevocably confirm that neither myself nor anyone associated with my organization, corporation or individual investment are working for any agency of any government, nor are members of any law enforcement agency. I further state under penalty of perjury that I'm not involved in any government "sting" operation.

FURTHER, the undersigned signatories do hereby attest and warrant to the fact that to the best of their knowledge no Specially Designated National, Blocked Person, Entity or Embargoed County, State, Nation, or Entity, as recognized by the Government of the United States, are now or knowingly will hereafter be party to, or share in the benefit from any, and all, transaction(s) by and between said Parties. Further, no Party involved in the transactions, or funds, or Instruments, utilized in, or generated by, the Transactions as are contemplated, which shall be under their individual control, shall be used to provide funds, instruments or any support to any terrorist activity or act(s) of war.

This Agreement pertains to any and all current and contemplated business, professional documents and proprietary information provided by either party to the other party hereunder, those parties being identified below.

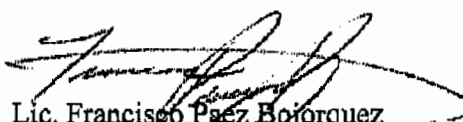
This document constitutes the entire agreement by and between the Parties.

IN WITNESS HEREOF, THE PROMISES AND COVENANTS CONSIDERED, the undersigned have executed this Agreement this 08<sup>th</sup> day of October, 2008.

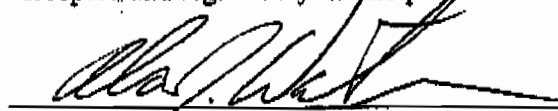
Accepted and Agreed By: JC Funding Solutions, Inc.

  
Dr. José Israel Castillo Robles  
Title: President-CEO

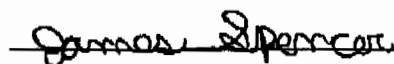


  
Lic. Francisco Pérez Bojórquez  
Notario Público No. 37  
October 08, 2008

Accepted and Agreed By: Participant

  
Name: Alan J. Watson  
Title: Funds Owner

Witness:



Name: David F. Klima  
Title: JV Partner